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Technical Bulletins: Unemployment Compensation Insurance: Update No. 2

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technical bulletin

Municipal Technical Advisory Service
Institute for Public Service, The University of Tennessee
In cooperation with the Tennessee Municipal League

September 1, 1977

MTAS TECHNICAL BULLETIN

UNEMPLOYMENT COMPENSATION INSURANCE: UPDATE NO. 2

About September 1, 1977 the Tennessee Department of Employment Security will mail to each city in Tennessee a packet of informational material and forms related to municipal administration of the unemployment compensation insurance program for public employers which becomes effective January 1, 1978.

The primary purpose of this bulletin is to alert city officials to the immediate necessity of determining whether the city will be a "taxpaying" or "reimbursing" employer. (For a discussion of the advantages and disadvantages of these two options, see the MTAS technical bulletin dated June 10, 1977 entitled "Unemployment Compensation Insurance: An Update.")

Included in the material which each city will receive from the Department of Employment Security will be a form entitled REPORT TO DETERMINE STATUS. You will be asked to complete this form and return it within seven days to the Department of Employment Security. Item 4 of this form states "...do you wish to elect to reimburse the Department of Employment Security for benefits paid..."? A yes answer to this question identifies the city as a "reimbursing employer." A no answer identifies the city as a "taxpaying employer." Failure to return this form, or to respond to question 4, will automatically identify the city as a taxpaying employer.

Volunteer Firemen

Several questions have already been raised about how to treat volunteer firemen. Regardless of whether volunteer firemen are paid an annual or monthly salary, by the hour, or on a per fire basis, compensation for any of the above situations will be regarded as "wages", and must be shown as such on the Quarterly Wage Report. If volunteer firemen are paid for attending training meetings, such compensation must be treated as wages regardless of the frequency of the meetings. On the other hand, a clothing allowance to compensate volunteer firemen for the cost of having clothes cleaned following a fire should not be treated as wages.

Seasonal Employees

Salaries and wages paid to seasonal and other non-emergency temporary employees must be shown on the Quarterly Wage Report.

Self Insurance

Several cities have inquired about the legality and feasibility of establishing some form of an "unemployment compensation self-insurance fund." Essentially,

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this approach could be followed by cities taking the "reimbursing employer" option and would take the form of a savings account into which the city would periodically deposit the same amount the city would pay as a "taxpaying employer." Such a fund should be established by ordinance and should stipulate the balance to be maintained in the fund, and appropriations to this fund should be in the annual budget.

Under the "reimbursing" option, the city assumes full responsibility to reimburse the state the actual amount paid from the state fund. Depletion of a "self-insurance fund" will not relieve the city of its liability.

Additional Information

The packet of material from the Department of Employment Security will contain a complete list of D.E.S. regional offices and their telephone numbers. In the meantime, for answers to specific questions, contact the State Department of Employment Security, 534 Cordell Hull Building, Nashville, TN 37219, phone (615) 741-3203, 741-2486, or 741-3178.

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